

WORKERS' COMPENSATION RATE FILING STATUS REPORT

Background:

In Administrative Hearings held on September 12, 2003, the Workers' Compensation Insurance Rating Board (WCIRB) recommended a 12 percent increase in workers' compensation pure premium rates. This followed a 12 percent increase on July 1, 2003, a 15 percent increase on January 1, 2003, and another 15 percent increase on July 1, 2002. In fact, since 1999, carriers have raised base rates every year.

Private carrier filed rate increases:

21% in 2000
22% in 2001
18% in January 2002
12% in July 2002
14% on January 2003
9% in July 2003

The State Compensation Insurance Fund's filed rate increases:

9% in 2000
14% in 2001
23% in 2002
19% in July 2002
15% in January 2003
19% in July 2003

The approved advisory pure premium rate changes for the same period:

18.4% in 2000
10.1% in 2001
10.2% in January 2002
10.1% in July 2002
10.5% in January 2003
7.2% in July 2003

Over the past two years, 98 percent of filing companies have adopted the approved advisory pure premium rate increases, and a similar percentage would likely have done so on January 1, 2004, absent any reform of the system.

On September 30, 2003, AB 227 and SB 228, which imposed workers compensation cost containment reforms with projected annual savings of \$5.6 billion and one-time savings of \$5 billion, were signed into law. As a result, the WCIRB amended its proposed 12 percent increase to account for the reform savings.

On November 7, 2003, Insurance Commissioner John Garamendi issued a ruling which reduced the 2004 pure premium rates by 14.9%. Of the entire 14.9%, 8.2% of the reduction is attributable to the specific reforms contained in AB 227 and SB 228.

Summary of filings received:

Beginning in mid-November insurance companies began submitting rate filings for January 1, 2004 renewals. To date, 95 insurer rate filings have been received and the premium weighted average rate decrease is -3.6 percent.

Rate changes:

Group	Change	Notes
All	-3.6 percent	Includes State Fund, which controls \$5,484,180,783 in written premiums and more than 50 percent of market share
Private Carriers	-4.8%	Excludes State Fund
Individual Carriers range of filings	-29.98% to +25.7%	<ul style="list-style-type: none">• 69 companies filed decreases<ul style="list-style-type: none">➤ Average: 5.1%➤ Represents \$7.75 billion in premiums• 10 companies filed increases<ul style="list-style-type: none">➤ Average: 3.2%➤ Represents \$94 million in premiums• 16 companies kept rates at current levels<ul style="list-style-type: none">➤ Represents \$758 million in premiums

The filings received to date represent approximately 1/3 of the anticipated total filings by year end. However, the premiums these companies receive represent more than 75 percent of the market.